

## Message Text

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INFO OCT-01 EUR-12 ISO-00 SP-02 AID-05 EB-07 NSC-05

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FM AMEMBASSY ROME

TO SECSTATE WASHDC IMMEDIATE 5923

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PASS TREASURY FOR GALAGHER

EO 11652: NA

TAGS: OVIP (SIMON, WILLIAM)

SUBJ: VISIT OF SECRETARY SIMON TO ROME - QUESTIONS AND  
ANSWERS FOR PRESS MEETING

SUMMARY. FOLLOWING ARE SOME QUESTIONS AND ANSWERS WHICH  
MAY BE USED IN PREPARATION FOR SECRETARY SIMON'S MEETING  
WITH THE PRESS SCHEDULED FOR MARCH 10 IN ROME. END SUMMARY.

1. QUESTION: WHAT ARE YOUR VIEWS ON THE NATURE AND  
MAGNITUDE OF U.S. MULTINATIONAL DISINVESTMENTS IN ITALY?

ANSWER: OF THE MORE THAN 500 US FIRMS WITH AFFILIATES OR  
SUBSIDIARIES IN ITALY, ONLY A HANDFULL -- FEWER THAN FIFTEEN--  
HAVE ANNOUNCED PLANS TO CURTAIL OR CLOSE THEIR OPERATIONS IN  
ITALY. THESE FEW HAVE RESTRICTED OPERATIONS FOR REASONS THAT  
WERE ESSENTIALLY ECONOMIC, E.G., SHRINKING MARKETS FOR PARTICULAR  
PRODUCTS ELSEWHERE IN WESTERN EUROPE, UNIQUE LOCAL SITUATIONS  
INVOLVING SPIRALLING LABOR COSTS, LACK OF COMPETITIVENESS DUE  
TO INTRODUCTION OF NEW TECHNOLOGIES. HOWEVER, THE VAST BULK  
OF US BUSINESS IN ITALY IS DOING MODERATELY WELL, CONSIDERING  
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THE ECONOMIC CIRCUMSTANCES HERE, PLANS TO REMAIN AND, IN MANY

CASES, TO EXPAND OPERATIONS.

2. QUESTION: IS THERE ANY TRUTH TO THE RUMOR THAT THE US IS PLANNING A NEW MARSHALL PLAN FOR ITALY?

ANSWER: ITALY HAS ECONOMIC PROBLEMS--ALL NATIONS DO TO SOME DEGREE OR ANOTHER. HOWEVER, I DON'T THINK ITALY'S ECONOMIC SITUATION REQUIRES ANY "MARSHALL PLAN" OR OTHER SUCH MASSIVE TYPE OF EXTERNAL FINANCING SCHEME. ITALY HAS ALREADY RECEIVED SUBSTANTIAL FINANCIAL SUPPORT FROM THE INTERNATIONAL MONETARY FUND, BOTH FROM THE FUND'S NORMAL PROGRAMS AND FROM THE SPECIAL OIL FACILITY, FROM ITS EC PARTNERS, AND WE WERE PLEASED TO HEAR OF RECENT PROGRESS MADE BY THE COMMUNITY TO BORROW \$1 BILLION IN THE EUROMARKET TO FURTHER HELP SUPPORT ITALIAN EFFORTS TO MEET ITS FINANCIAL NEEDS, AND FROM GERMANY. OUR SUPPORT HAS BEEN INDIRECT, AS IN THE FUND. THE RECENT ACTIVATION OF \$250 MILLION UNDER THE FEDERAL RESERVE'S SWAP ARRANGEMENTS WITH THE BANK OF ITALY IS AN EXAMPLE OF OUR SUPPORT. THE NEED, IN LIGHT OF THE ACTIONS ALREADY TAKEN, FOR ANY "MARSHALL PLAN" OR THE LIKE FOR ITALY IS CERTAINLY QUESTIONABLE FROM MY POINT OF VIEW.

3. QUESTION: ITALY'S MEMBERSHIP IN MAJOR INTERNATIONAL ECONOMIC GROUPINGS, I.E., BIG FIVE, BIG SIX, HAS BEEN SUPPORTED BY THE US, MUCH TO THE CHAGRIN OF SOME OF ITALY'S COMMUNITY PARTNERS. WHY THE US SPONSORSHIP?

ANSWER: WE VIEW ITALY AS A MAJOR INDUSTRIAL COUNTRY AND A MAJOR MEMBER OF THE EUROPEAN COMMUNITY. IN ADDITION, THE RECENT ECONOMIC DIFFICULTIES EXPERIENCED BY THE INDUSTRIALIZED COUNTRIES AND MOST LDC'S DUE TO PETROLEUM PRICES HAVE AFFECTED ITALY VERY SEVERELY, PERHAPS MORE SEVERELY THAN ANY OTHER SINGLE INDUSTRIALIZED COUNTRY. IT IS ONLY NATURAL THAT WHEN THE MAJOR INDUSTRIAL COUNTRIES COME TOGETHER TO DISCUSS COMMON ECONOMIC PROBLEMS, ESPECIALLY THE COMPLEX OF INTERNATIONAL ECONOMIC ISSUES WHICH HAVE RESULTED FROM THE UNWARRANTEDLY HIGH PETROLEUM PRICES, THAT ITALY'S REPRESENTATIVES SHOULD SIT DOWN AT THE DISCUSSION TABLE WITH THE REST OF US.

4. QUESTION: DO THE RECENT ACTIONS BY THE UNITED STATES LIMITED OFFICIAL USE

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TREASURY IN IMPOSING CONTERVAILING DUTIES ON A NUMBER OF PRODUCTS INDICATE THAT THE UNITED STATES GOVERNMENT IS ADOPTING A MORE RESTRICTIVE TRADE POLICH?

ANSWER: THE TRADE ACT OF 1974 REQUIRED THE TREASURY DEPARTMENT TO MAKE A FINAL DETERMINATION WITHIN ONE YEAR AFTER THE RECEIPT OF ALL VALID CONTERVAILING DUTY PETITIONS. AS A RESULT, ON JANUARY 3, 1975 TREASURY HAD TO INITIATE INVESTIGATIONS

IN SOME THIRTY PENDING CASES, INCLUDING TWO DATING BACK TO 1967. IT ALSO HAD FOUR PREVIOUSLY-ANNOUNCED CASES. THIS INCREASED WORKLOAD, PRIMARILY INVOLVING OLD CASES, HAS BEEN A FACTOR GIVING RISE TO THE ERRONEOUS IMPRESSION THAT THE UNITED STATES IS GOING PROTECTIONIST.

WHAT HAS HAPPENED WITH RESPECT TO COUNTERVAILING DUTIES SINCE THE TRADE ACT OF 1974 BECAME LAW? FOURTEEN CASES WERE WITHDRAWN BY THE PETITIONERS. AS OF JANUARY 3, 1976, TREASURY HAS MADE TWENTY FINAL DETERMINATIONS, TEN NEGATIVE AND ONE A TERMINATION. DETERMINATIONS THAT BOUNTIES OR GRANTS EXISTED WERE MADE IN NINE CASES, BUT THE TREASURY EXERCISED ITS AUTHORITY UNDER THE TRADE ACT OF 1974 TO WAIVE THE IMPOSITION OF COUNTERVAILING DUTIES IN SIX INSTANCES. COUNTERVAILING DUTIES ARE BEING ASSESSED IN FOUR CASES.

THE UNITED STATES HAS HAD A COUNTERVAILING DUTY LAW SINCE 1987. THE GATT RECOGNIZES THAT EXPORT SUBSIDIES DISTORT INTERNATIONAL TRADE AND SHOULD NOT BE EMPLOYED. EXPORTERS, AS WELL AS IMPORTERS, HAVE AN OBLIGATION TO ABIDE BY THE RULES GOVERNING INTERNATIONAL TRADE. THE NEGOTIATION OF AN ACCEPTABLE SUBSIDIES/COUNTERVAILING DUTY CODE, WHICH WOULD SPELL OUT THE KINDS OF SUBSIDIES WHICH WOULD BE PERMITTED AND THOSE WHICH WOULD NOT

IS A HIGH PRIORITY ITEM AT THE MTN NOW UNDERWAY IN GENEVA. IN EXCHANGE FOR AN ACCEPTABLE AGREEMENT, THE UNITED STATES WOULD AGREE TO INCORPORATE AN INJURY CLAUSE INTO ITS COUNTERVAILING DUTY LAW.

5. QUESTION: THE COMPTROLLER OF THE CURRENCY THINKS ITALY IS A BAD CREDIT RISK AND THAT US BANKS SHOULD CURTAIL LENDING HERE. IF THE US IS TRYING TO HELP ITALY OUT OF ITS FINANCIAL DIFFICULTIES, THE POSITION OF THE COMPTROLLER SEEMS TO RUN LIMITED OFFICIAL USE

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COUNTER TO THESE EFFORTS. CAN YOU EXPLAIN?

ANSWER: THE INTERNATIONAL AUDITORS OF THE COMPTROLLER OF THE CURRENCY PERIODICALLY EVALUATE THE LOAN PORTFOLIOS OF US BANKS TO MAKE SURE THAT, FIRST CERTAIN TECHNICAL LENDING LIMITS ARE NOT BEING BREACHED AND, SECOND TO ADVISE THE BANKS ON THE CREDITWORTHINESS OF THE BORROWERS AND OF LOANS MADE TO THEM. OBVIOUSLY, POSITIONS TAKEN BY THE COMPTROLLER EFFECT THE LOANS EXTENDED BY US COMMERCIAL BANKS TO ALL FOREIGN NATIONS, INCLUDING ITALY. THIS IS PRECISELY THE INTENT OF THE REVIEW SYSTEM. WE DO NOT, AS A MATTER OF PRINCIPLE, REPLY TO ANY RUMORS ABOUT THE RESULTS OF THESE EVALUATIONS, AND THE RESULTS ARE NOT MADE PUBLIC. NEVERTHELESS IT SHOULD BE CLEAR THAT THE TECHNICAL POSITIONS TAKEN BY THE COMPTROLLER DO NOT IN ANY WAY REFLECT US FOREIGN ECONOMIC POLICY POSITIONS.

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6. QUESTION: WHAT IS THE AMERICAN POSITION ON THE POSSIBILITY OF COMMUNISTS BECOMING PART OF THE ITALIAN GOVERNMENT?

ANSWER: BOTH PRESIDENT FORD AND SECRETARY KISSINGER HAVE STATED THAT THIS IS A QUESTION WHICH LIES ULTIMATELY WITH THE ITALIAN PEOPLE TO DECIDE. HOWEVER, AS ALLIES AND FRIENDS OF LONG STANDING, WE REMAIN INTERESTED BYSTANDERS AS THE ITALIANS ATTEMPT TO RESOLVE THE POLITICAL AND ECONOMIC PROBLEMS CONFRONTING THEIR NATION. TO THE EXTENT THAT WE HAVE REPEATEDLY BEEN ASKED TO COMMENT ON THIS PARTICULAR QUESTION, WE HAVE REPLIED THAT WE DO NOT BELIEVE THAT IT IS COMPATIBLE TO HAVE COMMUNIST PARTICIPATION IN GOVERNMENTS WHICH BELONG TO THE NATO ALLIANCE. FURTHERMORE, IF COMMUNIST PARTIES PARTICIPATE IN A MAJOR WAY IN THE GOVERNMENTS OF WESTERN EUROPE, IT WILL, IN OUR VIEW, LEAD TO SUBSTANTIAL CHANGES IN THE NATURE OF BILATERAL AND MULTILATERAL RELATIONSHIPS WHICH HAVE TRADITIONALLY BEEN CLOSE, FRIENDLY, AND MUTUALLY ADVANTAGEOUS.

7. QUESTION: SOME SERIOUS ABUSES HAVE BEEN UNCOVERED IN CONNECTION WITH THE CIA. WHAT IS THE US GOVERNMENT DOING ABOUT THIS?

ANSWER: THIS SUBJECT IS CLEARLY OUTSIDE MY AREA OF RESPONSIBILITY.

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BILITY AND EXPERTISE, AND THEREFORE I WILL NOT COMMENT ON THE SUBSTANCE OF THIS MATTER. HOWEVER, OUR GOVERNMENT IS UNDERTAKING A MAJOR REARRANGEMENT OF THE SYSTEM UNDER WHICH OUR INTELLIGENCE SERVICE OPERATES.

8. IN ADDITION TO THE FOREGOING, SECRETARY SIMON CAN ANTICIPATE A NUMBER OF SHARP QUESTIONS STIMULATED BY PRESENT LOCKHEED DISCLOSURES. THESE WILL INCLUDE, AMONG OTHERS, QUESTIONS ABOUT THE PROPRIETY OF THE CHURCH SUBCOMMITTEE AND THE ADMINISTRATION IN RELEASING ONLY PARTIAL INFORMATION, THE EFFECT OF SUCH INFORMATION ON INNOCENT PEOPLE WHO CANNOT PROVE THE ISSUE EITHER WAY, AMERICAN CORRUPTION (LOCKHEED PLUS CIA) OF ITALIAN GOVERNMENT OFFICIALS, CHARGES OF EXCESSIVE POLITICAL AND ECONOMIC INFLUENCE BY MULTINATIONALS, PROBLEMS OF CONTROLLING MULTINATIONALS, ETC. EMBASSY IS NOT IN BEST POSITION TO ANSWER THESE KINDS OF QUESTIONS AND SUGGESTS THAT DEPARTMENT AND OTHER RELEVANT AGENCIES PREPARE APPROPRIATE BRIEFING MATERIAL FOR SECRETARY SIMON. VOLPE

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